



Newsletter October 2017

Record losses due to extremely active season Nat cat events cause ILS performance to dip

The average ILS fund was **down by 9.04% in September** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

At the beginning of September, major hurricane Irma battered Caribbean islands at the maximum wind speed of 185 mph, meaning Cat 5 intensity and later made landfall in the Florida Keys as a Cat 4 storm. The storm then passed through the west coast of Florida with significant wind force and storm surge (over 10-15 feet). Irma is considered the most powerful strike to U.S. after Katrina in 2005 and the first major hurricane to hit Florida since Wilma 2005. Millions of people were evacuated, 101 deaths were reported and millions of homes suffered from power outage. Estimated economic losses range from USD 58 to 83bn and insured losses range from USD 20 to 40bn, depending on sources. Mexico was struck by two earthquakes, Mw 8.1 and Mw 7.1 respectively. The Mw 7.1 quake was very close to the capital city thus caused significant damage. Insured losses were estimated to be USD 1.2 bn to 4.8 bn. Not long after Irma, Maria, another fierce hurricane intensified quickly on the Atlantic and headed towards the Caribbean islands. It first made landfall in The Dominican Republic as Cat 5 then Puerto Rico as Cat 4. Maria caused catastrophic damages due to its unprecedented intensity. It is considered the most powerful storm to hit Puerto Rico since 1928 and the estimated insured losses were USD 15 – 80bn. Harvey, Irma and Maria (a.k.a. HIM) were all ranked among the top 4 costliest storms since 1950.



David Yao, CFA, FRM
ILS Advisers

Primary market was stagnant with only few new bonds issued. Due to the impact of HIM, cat bond price return was -6.96% while total return was -6.52% according to Swiss Re Cat Bond Indices. Private contracts also suffered substantial losses, especially those directly exposed to Florida, Texas and Puerto Rico. However, since loss estimates are very preliminary till now, there is still high uncertainty around the valuation of these private contracts and thus performance of private ILS funds.

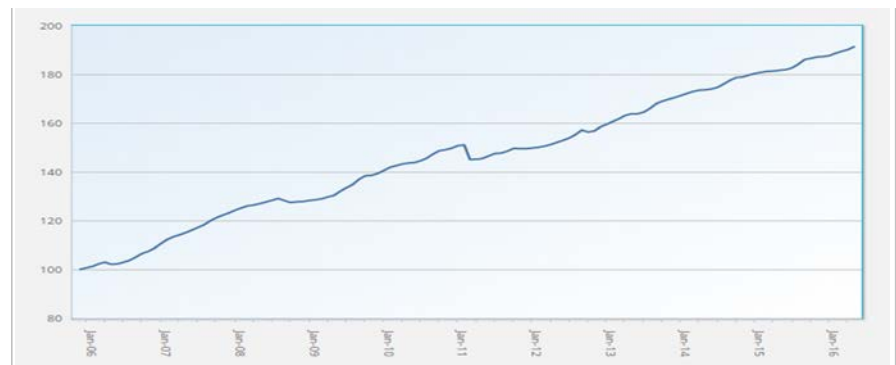
33 of the 34 funds represented in the Eurekahedge ILS Advisers Index were negative for the month. The difference between the best and the worst performing fund was 26.73 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were down by 4.66% while the subgroup of funds whose strategies include private ILS decreased by 12.11%. Private ILS funds underperformed pure cat bond funds by 10.81 percentage points on annualized basis year to date.



Newsletter October 2017

The Eureka hedge ILS Advisers Index

The Eureka hedge ILS Advisers Index tracks the performance of the participating Insurance Linked Investment funds. It is the first benchmark that allows a comparison between different insurance-linked investment funds in the insurance-linked securities, reinsurance and catastrophe bond investment space. The index is calculated and maintained by Eureka hedge. It includes funds that allocate at least 70% of their assets to non-life risk. The index was base weighted at 100 in December 2005. It does not contain duplicate funds and is denominated in local currencies.



The Eureka hedge ILS Advisers Index is ILS Advisers and Eureka hedge's collaborative equally weighted index of 34 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers who explicitly allocate to insurance linked investments and have at least 70% of their portfolio invested in non-life risk. The index is base weighted at 100 at December 2005, does not contain duplicate funds and is denominated in local currencies.

Statistics (as at September 2017)			
Annualized Return (%)	5.43	Standard Deviation (%)	3.44
2017 Return (%)	-5.08	Downside Deviation (%)	2.98
2016 Return (%)	5.18	Upside Deviation (%)	0.90
Last 3 Months (%)	-7.14	Maximum Drawdown (%)	-9.33
Return Since Inception (%)	87.00	Sharpe Ratio (X)	1.00
Best Monthly Return (%)	2.43	Sortino Ratio (X)	1.15
Worst Monthly Return (%)	-9.04	Percentage of Positive Months (%)	92.96

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.36	0.32	0.23	0.15	0.19	0.40	0.57	-0.34	-9.04				-5.08
2016	0.21	0.54	0.40	0.40	0.04	0.26	0.41	0.86	1.03	0.42	0.31	0.16	5.18
2015	0.39	0.24	0.21	0.08	0.16	0.15	0.40	0.84	1.03	0.27	0.31	0.07	4.24
2014	0.50	0.50	0.45	0.32	0.08	0.21	0.41	0.81	0.86	0.60	0.14	0.42	5.42
2013	0.67	0.74	0.64	0.85	0.44	0.00	0.40	0.92	1.20	0.61	0.48	0.42	7.61
2012	0.18	0.19	0.32	0.43	0.58	0.57	0.61	0.94	1.18	-0.51	0.27	1.01	5.93
2011	0.70	0.18	-3.94	0.06	0.21	0.72	0.68	0.13	0.54	0.74	-0.03	-0.04	-0.14
2010	0.92	0.94	0.45	0.49	0.28	0.16	0.51	0.75	1.16	0.90	0.29	0.42	7.52
2009	0.36	0.22	0.28	0.59	0.51	1.33	1.03	1.03	1.58	1.06	0.14	0.52	8.99
2008	0.93	0.75	0.67	0.27	0.46	0.53	0.56	0.59	-0.71	-0.59	0.25	0.06	3.83
2007	1.60	1.56	0.92	0.75	0.74	0.95	0.95	0.96	1.37	1.09	0.85	0.74	13.22
2006	0.65	0.63	0.93	0.70	-0.82	0.15	0.62	0.81	1.32	1.37	0.84	1.18	8.68